

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

CHANEL, INC,

No C 05-03464 VRW

Plaintiff,

ORDER

v

BRANDON DOAN, et al

Defendants.

On August 26, 2005, Chanel, Inc filed this action alleging that defendants had committed, *inter alia*, trademark counterfeiting, infringement and false designation of origin. Doc #1. Before the court is plaintiff's unopposed motion for default judgment against defendants, as well as plaintiff's application for statutory damages, permanent injunction and attorney fees. Doc #15-1. For the reasons that follow, the court GRANTS plaintiff's motion for default judgment, GRANTS statutory damages and injunctive relief and GRANTS an award of attorney fees and expenses.

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I

Plaintiff, a well known fashion house, alleges that defendants violated its trademark rights through its businesses, Cizi's Handbags, Cizicollection.com and Cizinguyen. Doc #1. Although served with summons and complaint on September 4, 2005 (Doc ##4-6), defendants never filed an answer or responsive pleading. Upon plaintiff's motion, the clerk entered default on December 21, 2005, in accordance with FRCP 55(a). Doc #9.

Subsequently, plaintiff submitted its motion for default judgment on June 2, 2006. Doc #15-1. Defendant Eddie Doan filed a notice of change of address on July 13, 2006, but none of the defendants filed an opposition or a statement of non-opposition as required by Civil Local Rule 7-3. Doc #17. On July 25, 2006, the court ordered defendants on or before August 17, 2006, to show cause why judgment should not be entered in favor of plaintiff for failure to respond to plaintiff's complaint. Doc #18. No response was received, although defendant Eddie Doan submitted a letter to the court on August 24, 2006, nearly one year after being served. Doc #20.

Plaintiff requests that default judgment be entered and that defendants pay \$127,701.00 in statutory damages pursuant to the Lanham Act, 15 USC § 1117© (2006), jointly and severally. Doc #15-1. Plaintiff further requests a permanent injunction barring defendants from marketing or selling any goods that infringe on plaintiff's marks. Id. Finally, plaintiff seeks to recover all fees, including attorney fees, investigative fees and costs. Id.

The following factual summary comes from plaintiff's complaint, declarations and supporting exhibits. Doc ##1, 15-2 to

1 15-9. Plaintiff is a corporation that manufactures and distributes
2 a variety of luxury carrying apparel, including handbags. Doc #1 ¶
3 2. Plaintiff owns six federally registered trademarks that it uses
4 to market and sell its handbags. Doc #1 ¶ 7.

5 Defendants sell handbags containing these trademarks via
6 the internet and a San Jose storefront. Doc #1 ¶¶ 3, 4, 16.
7 Despite lacking permission to use these marks, defendants promote
8 their products both as genuine Chanel merchandise and as "look
9 alike" products. Doc #1 ¶ 9; Doc ##15-5 to 15-6.

10 Plaintiff hired a private investigator, aptly named
11 Robert Holmes, to inquire into defendants' operations. Doc #15-7
12 ¶¶ 1, 3. Holmes purchased a counterfeit Chanel handbag from
13 Cizicollection.com for \$115.00. Doc #15-7 ¶ 6. This website,
14 Holmes discovered, was registered to "Cizi Collection" with Brandon
15 Doan listed as an administrative contact. Doc #15-7, ¶ 4.
16 Defendants' website promoted a panoply of handbags bearing the
17 Chanel mark, some labeled "authentic" and others described as "look
18 alike." Doc #15-5. Assertedly authentic Chanel handbags were
19 listed for prices as high as \$1280.00, whereas "look alike"
20 handbags ranged in price from \$89.00 to \$145.00. Id. Defendants
21 also listed their products on an auction website, characterizing
22 them as "100% Real Authentic." Doc #15-6.

23 The handbag delivered to Holmes bore the return address
24 of 5089 Eppling Lane, San Jose, CA 95111 (Doc #15-7 ¶ 8) – the same
25 address at which defendants were served with the summons and
26 complaint and at which defendant Eddie Doan registered with the
27 court on July 13, 2006. Doc ##4, 5, 6, 17. Plaintiff's employee,
28 Adrienne Hahn Sisbarro, inspected this handbag and determined that

1 it contained counterfeit Chanel marks and was a replica. Doc #15-
2 3.

3 Plaintiff then hired Suzi Vasylionis to investigate the
4 storefront location of "Cizi's Handbags," which she visited on
5 March 29, 2005. Doc #15-4 ¶¶ 1, 3, 4. Vasylionis observed
6 approximately 10 handbags bearing Chanel marks priced between
7 \$70.00 and \$135.00. Doc #15-4 ¶ 5. A female clerk who identified
8 herself as "Cizi" told Vasylionis that the handbags were "copies"
9 and stated that she could sell such handbags in wholesale
10 quantities. Id. Vasylionis purchased one of these handbags for
11 \$65.00. Id at ¶ 6.

12 In June of 2005, plaintiff prepared a cease and desist
13 letter and hired Robert Hargrove to deliver it to defendants at the
14 San Jose storefront location of "Cizi's Handbags." Doc #15-9 ¶¶ 3,
15 5. Defendants Hau Nguyen and Brandon Doan identified themselves as
16 co-owners of the retail store and as husband and wife. Doc #15-9
17 ¶¶ 5, 6. Nguyen and Doan refused to surrender the counterfeit
18 merchandise to Hargrove but destroyed some of the handbags in his
19 presence. Doc #15-9 ¶ 7.

20 At this point, plaintiff sought the assistance of the
21 court, filing a complaint alleging that defendants' actions
22 constitute trademark infringement and counterfeiting in violation
23 of the Lanham Act and the California Business and Professions Code.
24 Doc #1.

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II

The court first addresses plaintiff's motion for default judgment. "Courts have inherent equitable powers to dismiss actions or enter default judgments for failure to prosecute, contempt of court, or abusive litigation practices." Televideo Systems, Inc v Heidenthal, 826 F2d 915, 917 (9th Cir 1987) (citing Roadway Express, Inc v Piper, 447 US 752, 764 (1980); Link v Wabash RR, 370 US 626, 632 (1962); United States v Moss-American, Inc, 78 FRD 214, 216 (ED Wis 1978)).

"The general rule of law is that upon default the factual allegations of the complaint, except those relating to the amount of damages, will be taken as true." Televideo Systems, 826 F2d at 917-18 (quoting Geddes v United Financial Group, 559 F2d 557, 560 (9th Cir 1977)). "Upon entry of default judgment, facts alleged to establish liability are binding upon the defaulting party, and those matters may not be relitigated on appeal." Danning v Lavine, 572 F2d 1386, 1388 (9th Cir 1978)(citations omitted). Following default judgment, a defendant is deemed to have admitted the well-pleaded allegations in the complaint. Benny v Pipes, 799 F2d 489, 495 (9th Cir 1986), amended, 807 F2d 1514 (9th Cir 1987) (citing Thomson v Wooster, 114 US 104, 114 (1884); In re Visioneering Construction, 661 F2d 119, 124 (9th Cir 1981)).

Defendants responded to neither plaintiff's complaint, the clerk's entry of default, the court's order to show cause nor plaintiff's motion for default judgment. All the while, defendants sought settlement with plaintiff, filed a notice of change of address with the court and sent a letter to the court. By refusing to defend this suit, defendants leave no other remedy to plaintiff

1 than default judgment. Plaintiff's motion for default judgment is
2 therefore GRANTED.

3
4 A

5 Because default judgment is appropriate, the court takes
6 the well-pleaded allegations in the complaint as true and facts
7 establishing liability are binding upon defendants. Danning, 572
8 F2d at 1388; Geddes, 559 F2d at 560. Plaintiff's complaint asserts
9 two causes of action for alleged violations of the Lanham Act, 15
10 USC §§ 1114 and 1125(a). Plaintiff's complaint also advances state
11 causes of action under Cal Bus & Prof Code §§ 14330, 14335, 14340
12 and 17200 et seq.

13 15 USC § 1114(1)(a) makes liable "[a]ny person who shall,
14 without consent of the registrant use in commerce any reproduction,
15 counterfeit, [or] copy * * * of a registered mark in connection
16 with the sale, offering for sale, distribution, or advertising of
17 any goods or services on or in connection with which such use is
18 likely to cause confusion * * *." Similarly, § 1125(a)(1) makes
19 liable "[a]ny person who, in connection with any goods or services
20 * * * uses in commerce any word, term, name, symbol or device * * *
21 which is likely to cause confusion * * * as to the affiliation * *
22 * of such person with another person * * * or in commercial
23 advertising or promotion, misrepresents the nature * * * of his or
24 her or another person's goods* * *."

25 Plaintiff's state law claims are subject to the same
26 analysis as the federal Lanham Act claims. Cleary v News Corp, 30
27 F3d 1255, 1263 (9th Cir 1994); Panavision Int'l v Toeppen, 141 F3d
28 1316, 1324 (9th Cir 1998); Entrepreneur Media, Inc v Smith, 279 F3d

1 1135, 1153 (9th Cir 2002). Hence, if the factual allegations of
2 the complaint are sufficient to establish liability under the
3 Lanham Act, they are also sufficient to establish liability
4 pursuant to the state claims.

5 The plaintiff alleges in the complaint that defendants
6 knowingly sell and distribute counterfeit and infringing handbags
7 and use the Chanel marks to advertise these counterfeit goods in a
8 manner that is likely to cause consumer confusion. Doc #1 ¶¶ 17,
9 29, 30, 32, 37. Accordingly, the factual allegations of
10 plaintiff's complaint, admitted by defendants through default,
11 establish that defendants violated the plaintiff's rights under
12 both the Lanham Act and state law claims.

13
14 B

15 Having established defendants' liability, the court turns
16 to the relief requested by plaintiff. The scope of damages
17 available to plaintiff under each alleged violation is essentially
18 the same. As plaintiff acknowledges in its application for default
19 judgment, it is not entitled to double recovery; it may only
20 recover under one claim. The plaintiff elects to recover damages
21 available for defendants' violation of 15 USC § 1114.

22 The remedies available to a prevailing plaintiff under
23 § 1114 of the Lanham Act include those listed under § 1117 (a-c).
24 Under § 1117(a), a registered mark holder may recover the
25 defendant's profits, registrant/plaintiff's damages and the costs
26 of the action, subject to the principles of equity. Section
27 1117(b) requires the court to treble the damages assessed under
28 subsection (a) if the defendant "intentionally us[es] a mark or

1 designation, knowing such mark * * * is a counterfeit mark * * *,
2 in connection with the sale, offering for sale, or distribution of
3 goods or services." Section 1117© permits a plaintiff to elect
4 statutory damages in "case[s] involving the use of a counterfeit
5 mark" in connection with the sale of goods.

6 Here, plaintiff may recover statutory damages pursuant to
7 § 1117©, as defendants marketed and sold counterfeits of
8 plaintiff's registered marks. Statutory damages are most
9 appropriate if, as here, data regarding the business practices and
10 profits of the defendants are unavailable due to lack of
11 cooperation on the part of defendants. Jackson v Sturkie, 255 F
12 Supp 2d 1096, 1101 (ND Cal 2003). In enacting § 1117©, Congress
13 acknowledged that statutory damages are "both necessary and
14 appropriate in light of the deception routinely practiced by
15 counterfeiters." S Rep No 177, 104th Cong, 1st Sess, 7 (1995).

16 Unlike the remainder of the allegations in the complaint,
17 those regarding damages are not controlling. Geddes, 559 F Supp 2d
18 at 560. Hence, it is the province of this court to determine the
19 appropriate amount of statutory damages. Section 1117(c)(1)
20 provides for damages of "not less than \$500 or more than \$100,000
21 per counterfeit mark per type of goods or services sold * * * as
22 the court considers just." Yet, upon a finding that the use of the
23 counterfeit was willful, § 1117(c)(2) permits a maximum of
24 \$1,000,000 per counterfeit mark per type of violating good sold.

25 "Willful infringement carries a connotation of deliberate
26 intent to deceive." Lindy Pen Co, Inc v Bic Pen Corp, 982 F2d
27 1400, 1406 (9th Cir 1993). Whether defendants acted willfully or
28 with bad faith "require[s] a connection between [the] defendant[s']

1 awareness of its competitor and its actions at those competitors'
2 expense." Id.

3 Here, the declarations and exhibits attached to
4 plaintiff's application for default judgment contain considerable
5 evidence of willfulness. Printouts from defendants' website show
6 merchandise listed as both authentic and "look alike" Chanel bags.
7 Doc #15-5. Defendants' statements on an auction website declared
8 the counterfeit bags were "100% Real Authentic." Doc #15-6.
9 Furthermore, a woman identifying herself as "Cizi" told Vasylionis
10 that the handbags for sale in the San Jose storefront were
11 "copies." Finally, on its website, defendants priced handbags
12 falsely labeled as authentic for approximately ten times the price
13 of those listed as "look alike," implicitly recognizing that
14 plaintiff's marks command higher prices. This conduct plainly
15 constitutes a "deliberate attempt to deceive," entitling plaintiff
16 to recover up to the maximum of \$1,000,000 per counterfeit mark for
17 type of good sold or offered as provided under § 1117(c)(2).

18 To calculate statutory damages under the Lanham Act, many
19 district courts turn to the analysis developed for a similar
20 provision within the Copyright Act. Sara Lee Corp v Bags of New
21 York, Inc, 36 F Supp 2d 161, 167 (SD New York 1999); Louis Vuitton
22 v Veit, 211 F Supp 2d 567, 583 (ED Pennsylvania 2002); Tommy
23 Hilfiger v Goody's, 2003 US Dist LEXIS 8788, 74 (ND Georgia 2003);
24 Phillip Morris USA, Inc v Shalabi, 352 F Supp 2d 1067, 1076 (CD Cal
25 2004). Under the Copyright Act, the court has wide discretion in
26 calculating statutory damages, "constrained only by the specified
27 maxima and minima." Harris v Emus Records Corp, 734 F2d 1329, 1335
28 (9th Cir 1984) (citing LA Westermann Co v Dispatch Printing Co, 249

1 US 100, 39 (1919)). Plaintiff may recover statutory damages
2 without offering evidence of plaintiff's actual damages or the
3 defendants' profits because of the dual "compensatory and punitive
4 purposes" of statutory damages. Los Angeles News Service v Reuters
5 Television Int'l Ltd, 149 F3d 987, 996 (9th Cir 1998).

6 Furthermore, "[t]he Supreme Court has stated that even for
7 uninjurious and unprofitable invasions of copyright the court may,
8 if it deems it just, impose a liability within the statutory limits
9 to sanction and vindicate the statutory policy of discouraging
10 infringement." Peer Int'l Corp v Pausa Records Inc, 909 F2d 1332,
11 1337 (9th Cir 1990) (quoting FW Woolworth Co v Contemporary Art,
12 Inc, 344 US 228, 232 (1952)) (internal quotation marks omitted).

13 Although the statutory damages need not reflect the
14 defendants' unlawfully obtained profits, some district courts use
15 § 1117(b) as a guide for setting damages under § 1117[©]. Sara Lee,
16 36 F Supp 2d at 170; Louis Vuitton, 211 F Supp 2d at 583. In doing
17 so, courts both counteract the profitability of counterfeiting and
18 execute the punitive purposes of the statute. Los Angeles News
19 Service, 149 F 3d at 996; Louis Vuitton, 211 F Supp 2d at 583.

20 The lack of discovery in this case leaves a paucity of
21 data concerning the extent of defendants' profits. Plaintiff
22 contends that it is reasonable to assume that defendants earned as
23 much as \$42,567 in the time between registering their domain name
24 and receiving plaintiff's complaint. Doc #15 ¶ III[©].

25 Unfortunately, plaintiff fails to demonstrate how it reached this
26 number other than offering a blanket reference to the data
27 contained in the exhibits and declarations.

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1 Based on the price of the handbags sold to plaintiff, as
2 well as the prices listed on defendants' website, the court
3 estimates that defendants' handbags averaged a price of \$293. A
4 conservative estimate of 10 bags sold per week amounts to \$2930 in
5 weekly revenue, which, multiplied across the relevant damages
6 period (approximately 42 weeks), yields \$123,060 in estimated gross
7 proceeds from selling infringing handbags. Under a 50% profit
8 margin, as recommended by plaintiff, defendants would have garnered
9 \$61,530 during the relevant period, which exceeds plaintiff's
10 calculation of defendants' profit (\$42,567). Accordingly, the
11 court finds that plaintiff's calculation amounts to a reasonable
12 estimation.

13 Trebling plaintiff's calculation, pursuant to the court's
14 previous finding of willfulness, yields a total of \$127,701 in
15 damages. Plaintiff's request for an award of this amount appears
16 to be fair, especially considering that the plaintiff pled factual
17 allegations, admitted by default, that would permit the court to
18 award up to \$1,000,000 per infringement. Accordingly, the court
19 GRANTS plaintiff's requested damage award in the amount of
20 \$127,701.00.

21 Section 1116(a) confers to the court power to grant
22 injunctions "according to the principles of equity" in order to
23 prevent violation of the rights of a registered trademark holder.
24 Plaintiff contends that a permanent injunction is warranted due to
25 the strong demand for Chanel products, defendants' disregard of
26 plaintiff's trademark rights and defendants' failure to respond to
27 the complaint. Indeed, defendants' willful violations, admitted by
28 default, and their lack of participation in this litigation give

1 the court little assurance that defendants' infringing activities
2 will cease. Accordingly, the court GRANTS plaintiff's request for
3 permanent injunctive relief.

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5 C

6 Finally, the court takes up plaintiff's request for
7 attorney and investigator fees. Although 15 USC § 1117(c) does not
8 mention attorney fees, § 1117(b) does. Many district courts have
9 determined, as has this court, that it is appropriate to award fees
10 and costs to a prevailing plaintiff under subsection (b) when
11 damages are assessed under subsection (c). Tommy Hilfiger, 2003 US
12 Dist Lexis at 112; Louis Vuitton, 211 F Supp 2d at 585-86; Sara
13 Lee, 36 F Supp 2d at 170-71. To determine a reasonable attorney
14 fee award under § 1117(a), the court must find an objective source
15 for setting counsel's hourly rates and determine whether the hours
16 expended by counsel are concordant with the requirements of the
17 litigation at hand.

18 Plaintiff's counsel Stephen M Gaffigan submits in his
19 declaration that he worked 14.28 hours on this case, bills \$350 per
20 hour for intellectual property litigation, has over 11 years of
21 trademark litigation experience and practices in Fort Lauderdale,
22 FL. Doc #15-8 (Gaffigan Decl ¶¶ 1,3). Plaintiff's counsel Stephen
23 Scherzer submits in his declaration that he spent 35 hours on this
24 case at a billing rate of \$175 per hour and has been an attorney
25 for over 30 years in Santa Ana, CA. Doc #15-2 (Scherzer Decl ¶¶
26 4,6,7). Each of the three private investigators assert fees as
27 well, which total \$2,310.25. Doc #15-7 (Holmes Decl ¶ 10); Doc
28 #15-4 (Vasylionis Decl ¶ 8); Doc #15-3 (Sisbarro Decl ¶ 16).

1 It is the practice of the undersigned judge to rely on
2 official data to determine appropriate hourly rates. One reliable
3 official source for rates that vary by experience levels is the
4 Laffey matrix used in the District of Columbia. See [http://www.](http://www.usdoj.gov/usao/dc/Divisions/Civil_Division/Laffey_Matrix_6.html)
5 [usdoj.gov/usao/dc/Divisions/Civil_Division/Laffey_Matrix_6.html](http://www.usdoj.gov/usao/dc/Divisions/Civil_Division/Laffey_Matrix_6.html)
6 (citing Laffey v Northwest Airlines, Inc, 572 F Supp 354 (D DC
7 1983), aff'd in part, rev'd in part on other grounds, 746 F2d 4 (DC
8 Cir 1984)).

9 Under the 2006-2007 Laffey matrix, attorneys with 20 or
10 more years of experience bill \$425/hour and attorneys with 11-19
11 years of experience bill \$375/hour. These figures are, however,
12 tailored for the District of Columbia, whereas Gaffigan's offices
13 are located in Fort Lauderdale, Florida and Scherzer's are located
14 in Santa Ana, CA. The court will adjust these figures accordingly.
15 The locality pay differentials within the federal courts -- which,
16 like law firms, employ lawyers and legal support staff --
17 approximate these differences. See [http://jnet.ao.dcn/Human_](http://jnet.ao.dcn/Human_Resources/Pay_Tables/2007_Pay_Tables/Judiciary_Salary_Plan_Locality_Rate_Pay_Tables_2007.html)
18 [Resources/Pay_Tables/2007_Pay_Tables/Judiciary_Salary_Plan_](http://jnet.ao.dcn/Human_Resources/Pay_Tables/2007_Pay_Tables/Judiciary_Salary_Plan_Locality_Rate_Pay_Tables_2007.html)
19 [Locality_Rate_Pay_Tables_2007.html](http://jnet.ao.dcn/Human_Resources/Pay_Tables/2007_Pay_Tables/Judiciary_Salary_Plan_Locality_Rate_Pay_Tables_2007.html). The Washington-Baltimore area
20 has an +18.59% locality pay differential; the Miami-Fort
21 Lauderdale-Miami Beach area has a +18.30% locality pay
22 differential; the Los Angeles-Long Beach-Riverside area has a
23 +24.03% locality pay differential. Thus, adjusting the Laffey
24 matrix figures downward by 0.3% will yield rates appropriate for
25 Fort Lauderdale.¹ Adjusting the Laffey matrix figures upward by

26
27
28 ¹(118.59 - 118.3) / 118.3 = .00245, or about .3%.

1 approximately 5% will yield rates appropriate for Santa Ana.²

2 Applying this adjustment and rounding, the court obtains
3 the following rates: Attorneys with 11-19 years of experience
4 located in Fort Lauderdale, FL bill \$376/hour; attorneys with 20 or
5 more years of experience located in Santa Ana, CA bill \$446/hour.
6 Therefore, both Gaffigan and Scherzer have charged reasonable
7 hourly rates, lower than would otherwise be available under the
8 Laffey matrix.

9 The court next evaluates whether the number of hours
10 expended by counsel are appropriate to the requirements of the
11 particular case. Plaintiff's counsel gathered investigative
12 information, prepared documents and pleadings and discussed
13 settlement with defendants. Doc #15-8. Counsel expended a total
14 of 49.28 hours accomplishing these tasks, which the court finds
15 reasonable. Accordingly, the court awards attorney fees in the
16 amount of \$11,125.

17 Plaintiff also requests the payment of investigative fees
18 to Holmes, Vasylyonis and Hargrove. Not having a suitable
19 substitute for the investigators' billing rates, the court will
20 accept the asserted values in the declarations. See In Re HPL
21 Technologies, Inc, 366 F Supp 2d 912 (ND Cal 2005). The court
22 awards the plaintiff's reasonable investigative fees in the amount
23 of \$2310.25.

24 Finally, plaintiff requests recovery of court costs in
25 the amount of \$463. Scherzer asserts in his declaration that \$463
26 in costs were incurred for filing fees and service of process. Doc

27 ²(124.03 - 118.59) / 118.59 = 0.04587, or about 5%.

1 #15-8. The plaintiff's application for default judgment includes a
2 breakdown of these costs, Doc #15 ¶ F, which the court finds
3 reasonable. Accordingly, the court awards plaintiff its costs in
4 the amount of \$463.

5 In sum, the court awards plaintiff \$141,599.25,
6 consisting of \$127,701 in statutory damages, \$11,588 in attorney
7 fees and costs and \$2310.25 in investigative costs.

8
9 III

10 For the foregoing reasons, the court GRANTS plaintiff's
11 motion for default judgment and ENJOINS defendants from infringing
12 any of plaintiff's trademarks. The clerk is DIRECTED to enter
13 judgment for plaintiff and against defendants in the amount of
14 \$141,599.25, close the file and terminate all motions.

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16 IT IS SO ORDERED.

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19 VAUGHN R WALKER
20 United States District Judge
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